

# The Composite Index (CI) and Land Use Tax Assessment Disparity

The CI for each locality is calculated in two equations which are averaged. The equations are:

$$.5 \times \frac{\text{Local property value/local ADM}^*}{\text{State property value/state ADM}} + .4 \times \frac{\text{Local AGI}^{**}/\text{local ADM}}{\text{State AGI/state ADM}} + .1 \times \frac{\text{Local retail sales/local ADM}}{\text{State retail sales/state ADM}} = \text{ADM Index}$$

$$.5 \times \frac{\text{Local property value/local population}}{\text{State property value/state population}} + .4 \times \frac{\text{Local AGI/local population}}{\text{State AGI/state population}} + .1 \times \frac{\text{Local retail sales/local population}}{\text{State retail sales/state population}} = \text{ADM Index}$$

\*Average Daily Membership

\*\*Average Gross Income

In simple terms, the CI is 10% retail sales, 40% income and 50% property values.

The Composite Indices range from .18 (lowest) to .8, with the lowest indices receiving the most money per pupil from the state.

Fauquier's CI is .6443 (up from .6193 in 2004). This is the 10<sup>th</sup> highest of 95 county school systems and 12<sup>th</sup> highest of all 136 school districts (includes city systems).

## How each component affects Fauquier's Composite Index

Retail Sales (10%): Fauquier County used to be very low in this category (low helps lower the CI) but with more large retailers locating here our retail sales have increased.

Average Gross Income (40%): Fauquier County is very high in this category (32<sup>nd</sup> richest of 3142 counties in the US), partly because of several millionaires/billionaires who live here and also because of a low poverty rate of 5.8% compared to 9.9% in VA and 12.5% in the U.S.

Local Property Values (50%): ***Here's the disparity.*** The state "assumes" that Fauquier County is collecting taxes on the fair market value of all property. We are not. Of the 442,400 acres in Fauquier County, there are 247,000 acres in the Land Use Tax Deferral Program. That's more than half of the land area of the county which is being taxed at less than 10% of the fair market value. (In addition there are 45,600 acres in Easements held by the VA Outdoors Foundation. Easements don't affect the Composite Index because the land use value and the fair market value are the same on the books but they do affect local tax revenue available for schools.)

With former assessments and the \$.99 tax rate, lands in the deferral program had a total value of \$886,540,700. The taxes deferred were \$8,777,607.95. In this scenario the County received \$2 million less from the state than we would have without land use. That is approximately \$2000 per student.

With the new assessments of \$2,136,395,500 - and no change in the land use value and a lower tax rate - the amount of the deferred taxes will be \$13,779,750, resulting in more than \$3 million less from the state (\$3000+ per student) than Fauquier County would receive if the state used land use values in determining property values rather than the fair market values.

Also of note is that the owners of all 292,600 acres in land use and easements - more than 2/3 of Fauquier's total land area - will be paying 1/3 less in taxes at the lower tax rate. This reduces the amount of local revenue available for schools.

3/16/2006

Sources: Fauquier County Commissioner of the Revenue  
Virginia Department of Education